

***FINANCIAL SECTION***

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## **Financial Section**

### **Message from the Chief Financial Officer**

I am pleased to present the RRB's Performance and Accountability Report for fiscal year 2003. This is the first time the RRB has prepared this report, which incorporates several reports that we have previously prepared separately: the annual program performance report under the GPRA, the internal control report under the FMFIA, and audited consolidated financial statements under OMB Bulletin No. 01-09.

The RRB has continued high quality financial management and financial reporting during fiscal year 2003. During the year, the RRB:

- Achieved an unqualified, or clean, audit opinion on its consolidated financial statements for fiscal year 2003. This is the 4th consecutive year that our auditors have issued a clean opinion on the agency's financial statements. In addition, although the OIG disclaimed an opinion for fiscal year 1999, on February 2, 2001, it removed its disclaimer and issued a clean opinion on the principal statements for that fiscal year as well.
- Accelerated the preparation and presentation of financial information.
- Prepared, for the first time, unaudited quarterly financial statements during fiscal year 2003. In the process of preparing quarterly statements, we implemented several improvements, including a process that significantly automates the preparation of the agency's annual financial statements.
- Selected a provider, GSA, for the agency's payroll operations under the e-Payroll initiative sponsored by OPM. We will migrate our payroll operations to GSA by September 2004.
- Began planning for the transition to a new financial management system.

In 1985, the RRB, working with American Management Systems, Inc. (AMS), built the first integrated and automated financial system in the Federal government. This later became an off-the-shelf software package, AMS' Federal Financial System (FFS), which was purchased and used by numerous Federal agencies, including GAO. The RRB has successfully used FFS software to address our financial processing and reporting requirements for the past 18 years.

In order to take advantage of improvements in technology, the RRB has begun exploring its options for migrating to a new financial management system. Our initial efforts have focused on evaluating the potential costs of migrating to off-the-shelf software that meets the standards established by the Joint Financial Management Improvement Program and monitoring the progress of other Federal agencies that are also planning for or implementing new financial management software. Transition to a new financial system is tentatively planned for fiscal years 2006/2007.

The RRB will continue to provide financial information that is timely, accurate and useful. We are committed to continuing our tradition of providing high quality financial services to agency management, the Congress, OMB and the constituents we serve.

A handwritten signature in black ink, appearing to read "Kenneth P. Boehne". The signature is fluid and cursive, with a prominent initial 'K'.

Kenneth P. Boehne  
Chief Financial Officer

**RAILROAD RETIREMENT BOARD  
CONSOLIDATED BALANCE SHEET  
AS OF SEPTEMBER 30, 2003 AND 2002**

<b>ASSETS</b>	<b>2003</b>	<b>2002</b>
<b>Intragovernmental:</b>		
Fund Balances with Treasury (Note 2)	\$12,906,874	\$49,784,767
Investments (Note 3)	1,180,997,109	18,996,298,693
Accounts Receivable (Note 4)	3,756,368,994	3,741,519,164
<b>Total Intragovernmental (Note 5)</b>	<b>4,950,272,977</b>	<b>22,787,602,624</b>
Accounts Receivable, Net (Note 6)	29,387,341	31,997,561
Inventory and related property, Net (Note 7)	119,831	141,986
General Property, Plant and Equipment, Net (Note 8)	2,379,320	2,355,727
Other (Note 9)	29,465	1,744
<b>TOTAL ASSETS</b>	<b>\$4,982,188,934</b>	<b>\$22,822,099,642</b>
<b>LIABILITIES (Note 10)</b>		
<b>Intragovernmental:</b>		
Accounts Payable (Note 11)	\$405,699,833	\$411,995,000
Debt (Note 12)	3,025,032,621	2,947,641,085
Other	825,466	825,205
<b>Total Intragovernmental</b>	<b>3,431,557,920</b>	<b>3,360,461,290</b>
Accounts Payable	458,847	621,091
Benefits Due and Payable (Note 13)	767,462,539	755,003,104
Other (Note 14)	180,072,902	7,722,847
<b>Total Liabilities</b>	<b>4,379,552,208</b>	<b>4,123,808,332</b>
<b>NET POSITION</b>		
Unexpended Appropriations	12,351,942	15,256,368
Cumulative Results of Operations (Note 15)	590,284,784	18,683,034,942
<b>Total Net Position</b>	<b>602,636,726</b>	<b>18,698,291,310</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$4,982,188,934</b>	<b>\$22,822,099,642</b>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD  
CONSOLIDATED STATEMENT OF NET COST  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002**

	<u>2003</u>	<u>RESTATED 2002</u>
<b>Program Costs:</b>		
<b>Railroad Retirement Program</b>		
Intragovernmental Gross Costs (Note 16)	\$216,583,104	\$236,090,783
Less: Intragovernmental Earned Revenue (Note 18)	<u>5,259,567</u>	<u>5,062,958</u>
Intragovernmental Net Costs (Note 19)	211,323,537	231,027,825
Gross Costs with The Public (Note 17)	8,950,937,410	8,758,020,068
Less: Earned Revenues from The Public (Note 18)	<u>546,017</u>	<u>548,528</u>
Net Costs with The Public	<u>8,950,391,393</u>	<u>8,757,471,540</u>
Total Net Costs (Note 20)	9,161,714,930	8,988,499,365
<b>Railroad Unemployment and Sickness Insurance Program</b>		
Intragovernmental Gross Costs (Note 16)	4,703,290	4,331,420
Less: Intragovernmental Earned Revenue (Note 18)	<u>0</u>	<u>0</u>
Intragovernmental Net Costs (Note 19)	4,703,290	4,331,420
Gross Costs with The Public (Note 17)	137,037,211	148,718,113
Less: Earned Revenues from The Public (Note 18)	<u>29,899,340</u>	<u>30,227,131</u>
Net Costs with The Public	<u>107,137,871</u>	<u>118,490,982</u>
Total Net Costs (Note 20)	111,841,161	122,822,402
<b>Costs Not Assigned to Program</b>	0	0
<b>Less: Earned Revenues Not Attributed to Programs</b>	<u>77,808</u>	<u>83,999</u>
<b>Net Cost of Operations</b>	<u><u>\$9,273,478,283</u></u>	<u><u>\$9,111,237,768</u></u>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD  
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003 and 2002**

	2003		RESTATED 2002	
	CUMULATIVE RESULTS OF OPERATIONS	UNEXPENDED APPROPRIATIONS	CUMULATIVE RESULTS OF OPERATIONS	UNEXPENDED APPROPRIATIONS
<b>NET POSITION - BEGINNING BALANCES</b>	<b><u>\$18,683,034,942</u></b>	<b><u>\$15,256,368</u></b>	<b><u>\$19,827,909,162</u></b>	<b><u>\$18,139,901</u></b>
<b>BUDGETARY FINANCING SOURCES:</b>				
APPROPRIATIONS RECEIVED (Note 21)	0	562,150,000	0	482,150,000
OTHER ADJUSTMENTS	0	(5,619,488)	0	(6,788,770)
APPROPRIATIONS USED	559,434,938	(559,434,938)	478,247,618	(478,247,618)
NON - EXCHANGE REVENUE (Note 22)	4,454,492,335	0	5,697,085,146	2,855
OTHER BUDGETARY FINANCING SOURCES	1,586,550,184	0	3,416,061	0
TRANSFERS OUT TO NRRIT (Note 23)	(19,188,000,000)		(1,502,000,000)	
TRANSFERS IN FROM NRRIT (Note 24)	300,001,862		0	
TRANSFERS IN/OUT WITHOUT REIMBURSEMENT (Note 25)	3,458,426,513		3,281,142,000	
<b>OTHER FINANCING SOURCES:</b>				
IMPUTED FINANCING FROM COSTS ABSORBED BY OTHERS	9,836,814	0	8,508,837	0
OTHER	(14,521)		(36,114)	
<b>TOTAL FINANCING SOURCES</b>	<b><u>(8,819,271,875)</u></b>	<b><u>(2,904,426)</u></b>	<b><u>7,966,363,548</u></b>	<b><u>(2,883,533)</u></b>
<b>NET COST OF OPERATIONS</b>	<b><u>9,273,478,283</u></b>		<b><u>9,111,237,768</u></b>	
<b>NET POSITION - ENDING BALANCES</b>	<b><u>\$590,284,784</u></b>	<b><u>\$12,351,942</u></b>	<b><u>\$18,683,034,942</u></b>	<b><u>\$15,256,368</u></b>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD  
 COMBINED STATEMENT OF BUDGETARY RESOURCES  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002**

	<u>2003</u>	<u>RESTATED 2002</u>
<b>Budgetary Resources:</b>		
Appropriations Received	\$28,913,518,889	\$11,001,350,606
Unobligated Balance, Beginning of Period	17,636,480	29,045,595
Spending Authority From Offsetting Collections Earned	35,829,209	32,114,928
Recoveries of Prior Year Obligations	667,982	611,731
Temporarily Not Available Pursuant to Public Law	(27,860,675)	(66,463,366)
Permanently Not Available	(6,310,848)	(6,865,771)
	<u>\$28,933,481,037</u>	<u>\$10,989,793,723</u>
<b>Total Budgetary Resources</b>		
<b>Status of Budgetary Resources:</b>		
Obligations Incurred (Note 26)	\$28,918,984,743	\$10,972,157,243
Unobligated Balance	2,004,939	4,073,380
Unobligated Balance Not Available	12,491,355	13,563,100
	<u>\$28,933,481,037</u>	<u>\$10,989,793,723</u>
<b>Total Status of Budgetary Resources</b>		
<b>Relationship of Obligations to Outlays:</b>		
Obligated Balance, Net, Beginning of Period	\$781,037,370	\$782,767,665
Adjustments to Obligated Balance, Beginning of Period (Note 27)	28,247,248	0
<b>Obligated Balance, Net, Beginning of Period, as Adjusted</b>	<u>\$809,284,618</u>	<u>\$782,767,665</u>
<b>Obligated Balance, Net, End of Period:</b>		
Accounts Receivable	168,679	28,525,224
Undelivered Orders	(5,475,251)	(5,372,252)
Accounts Payable	(813,472,867)	(804,190,342)
<b>Outlays:</b>		
Disbursements	28,908,931,234	10,944,901,341
Collections	(35,938,505)	(36,334,517)
Subtotal	<u>28,872,992,729</u>	<u>10,908,566,824</u>
<b>Less: Offsetting Receipts (Note 28)</b>	<u>3,744,741,000</u>	<u>3,617,142,000</u>
<b>Net Outlays</b>	<u>\$25,128,251,729</u>	<u>\$7,291,424,824</u>

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**RAILROAD RETIREMENT BOARD  
CONSOLIDATED STATEMENT OF FINANCING  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002**

	<u>2003</u>	<u>RESTATED 2002</u>
<b>Resources Used to Finance Activities:</b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$28,918,984,743	\$10,972,157,243
Less: Spending Authority from Offsetting Collections and Recoveries	(36,497,191)	(32,726,659)
Obligations Net of Offsetting Collections and Recoveries	<u>28,882,487,552</u>	<u>10,939,430,584</u>
Less: Offsetting Receipts (Note 28)	(3,744,741,000)	(3,617,142,000)
Net Obligations	<b>25,137,746,552</b>	<b>7,322,288,584</b>
<b>Other Resources</b>		
Imputed Financing from Costs Absorbed by Others	9,836,814	8,508,837
Net Other Resources Used to Finance Activities	<u>9,836,814</u>	<u>8,508,837</u>
Total Resources Used to Finance Activities	<b>25,147,583,366</b>	<b>7,330,797,421</b>
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services & Benefits Ordered but not yet Provided	(131,516)	2,331,077
Budgetary Offsetting Collections & Receipts That Do Not Affect Net Cost of Operations	(644,130)	(1,319,427)
Resources That Finance the Acquisition of Assets	(1,283,010)	(1,860,880)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	<u>(15,873,259,000)</u>	<u>1,779,623,064</u>
Total Resources Used to Finance Items Not Part of Net Cost of Operations	<b>(15,875,317,656)</b>	<b>1,778,773,834</b>
Total Resources Used to Finance Net Cost of Operations	<b>9,272,265,710</b>	<b>9,109,571,255</b>
<b>Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:</b>		
<b>Components Requiring or Generating Resources in Future Periods:</b>		
Increase in Annual Leave Liability	7,484	569,689
Other	194,982	262,543
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	<b>202,466</b>	<b>832,232</b>
<b>Components Not Requiring or Generating Resources:</b>		
Depreciation and Amortization	1,024,411	870,395
Other	(14,304)	(36,114)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	<b>1,010,107</b>	<b>834,281</b>
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in Current Period	<b>1,212,573</b>	<b>1,666,513</b>
<b>Net Cost of Operations</b>	<b><u>\$9,273,478,283</u></b>	<b><u>\$9,111,237,768</u></b>

The accompanying notes are an integral part of these financial statements.

**RAILROAD RETIREMENT BOARD  
STATEMENT OF CUSTODIAL ACTIVITY  
AS OF SEPTEMBER 30, 2003, FISCAL YEAR 2003**

	<u>2003</u>	<u>2002</u>
<b>Revenue Activity:</b>		
<b>Sources of Collections:</b>		
Reimbursement from SSA	<u>\$1,162,710,061</u>	<u>\$1,160,541,045</u>
Total Cash Collections	<u>\$1,162,710,061</u>	<u>\$1,160,541,045</u>
Accrual Adjustments	<u>(87,026)</u>	<u>69,044</u>
<b>Total Custodial Revenue</b>	<b><u>1,162,623,035</u></b>	<b><u>1,160,610,089</u></b>
<b>Disposition of Collections:</b>		
Payment of SSA Benefits	1,162,625,296	1,160,610,591
Amounts Yet to be Transferred/Paid	<u>(2,261)</u>	<u>(502)</u>
<b>Total Disposition of Collections</b>	<b><u>1,162,623,035</u></b>	<b><u>1,160,610,089</u></b>
<b>Net Custodial Activity</b>	<b><u>(0)</u></b>	<b><u>0</u></b>

Note: Under Section 7(b)(2) of the Railroad Retirement Act of 1974, the RRB is required to pay certain individuals described in this section, monthly social security benefits on behalf of SSA. For the most part, the RRB is reimbursed in advance for the payment of these benefits.

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